

## **EXHIBIT 1**

### **INTRODUCTION**

Respondent Terry Tognazzini has numerous businesses, primarily hotel properties that he owns and operates in the Cities of Anaheim, Garden Grove, Ontario, Santa Ana, San Dimas, and Victorville. Respondent Tognazzini has franchise agreements with the Accor hotel group. Each of Respondent Tognazzini's hotel properties has its own limited liability company/partnership or corporation and does business under a fictitious business name. Among these companies is: Respondent RR Tog, L.P. (formerly known as RR Tog, L.L.C.), doing business as Red Roof Inns Southern California.

Between October 1, 2002 and December 17, 2002, Respondent Tognazzini reimbursed five of his employees and one employee's spouse, through checks issued from a bank account held in the name of Respondent Red Roof Inns Southern California, for a total of 18 campaign contributions totaling \$6,735 made to local candidates and officials. Reimbursing another person for making a campaign contribution violates Government Code section 84301 of the Political Reform Act, as it denies the public of information about the true source of a candidate's financial support.

For the purposes of this stipulation, Respondents' violations of the Political Reform Act (the "Act")<sup>1</sup> are stated as follows:

- COUNT 1: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.
- COUNT 2: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.
- COUNT 3: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Michael Garcia, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.
- COUNT 4: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Mercy

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<sup>1</sup> The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

Ganjifard, in violation of section 84301 of the Government Code.

- COUNT 5: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Mercy Ganjifard, in violation of section 84301 of the Government Code.
- COUNT 6: On or about October 1, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Michael Garcia, in the name of Mercy Ganjifard, in violation of section 84301 of the Government Code.
- COUNT 7: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Timothy Connaghan, in violation of section 84301 of the Government Code.
- COUNT 8: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Timothy Connaghan, in violation of section 84301 of the Government Code.
- COUNT 9: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Robert Fillerup, in violation of section 84301 of the Government Code.
- COUNT 10: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Robert Fillerup, in violation of section 84301 of the Government Code.
- COUNT 11: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Linda Highfill, in violation of section 84301 of the Government Code.
- COUNT 12: On or about October 8, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Linda Highfill, in violation of section 84301 of the Government Code.
- COUNT 13: On or about October 9, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Alberta Christy, in the name of Debra

Wadlow, in violation of section 84301 of the Government Code.

COUNT 14: On or about October 9, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Council candidate Lisa Bist, in the name of Debra Wadlow, in violation of section 84301 of the Government Code.

COUNT 15: On or about October 21, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$1,000 contribution to City of Anaheim mayoral candidate Curt Pringle, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.

COUNT 16: On or about October 21, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$1,000 contribution to Garden Grove City Council candidate Mark Leyes, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.

COUNT 17: On or about October 22, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$1,000 contribution to City of Anaheim mayoral candidate Curt Pringle, in the name of Robert Fillerup, in violation of section 84301 of the Government Code.

COUNT 18: On or about December 17, 2002, Respondents Terry Tognazzini and RR Tog, d.b.a. Red Roof Inns Southern California, made a \$249 contribution to Santa Ana City Councilmember Jose Solario, in the name of Ron Ganjifard, in violation of section 84301 of the Government Code.

### **SUMMARY OF THE LAW**

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed and improper practices may be inhibited.

In furtherance of that purpose, section 84301 provides that no contribution shall be made, directly or indirectly, by any person in a name other than the name by which that person is identified for legal purposes. The act of making a contribution in the name of another person is commonly known as “campaign money laundering.”

### **SUMMARY OF THE FACTS**

Respondent Terry Tognazzini has numerous businesses, primarily hotel properties that he owns and operates in the Cities of Anaheim, Garden Grove, Ontario, Santa Ana, San Dimas, and Victorville. Respondent Tognazzini has franchise agreements with the Accor hotel group. Each

of Respondent Tognazzini's hotel properties has its own limited liability company/partnership or corporation and does business under a fictitious business name. Among these companies is: Respondent Red Roof Inns Southern California.

Between October 1, 2002 and December 17, 2002, Respondents Tognazzini and Red Roof Inns Southern California made a total of 18 illegal campaign contributions, totaling \$6,735, to local candidates and officials in the Cities of Anaheim, Garden Grove, and Santa Ana, as stated herein. Prior to that time, Respondents had not been involved in local politics. According to Respondent Tognazzini, at the recommendation of his top management, he decided to get more actively involved in the cities in which his businesses were located, by making political contributions to pro-business candidates. Vice President of Operations, Ron Ganjifard, who runs Respondent Red Roof Inns Southern California, selected the candidates to contribute to and specified the amounts of the contributions.

Ron Ganjifard asked five long-time employees of Respondent Red Roof Inns Southern California to contribute to specific local candidates for specified amounts, telling them that they would be reimbursed for their contributions. He also asked his wife, Mercy Ganjifard, to make contributions. Their contribution checks were given to the controller, Linda Highfill, along with a business reimbursement claim form. Ms. Highfill then filled out the contributor cards and mailed the contribution checks, along with a company business card, to the candidates in envelopes provided by Mr. Ganjifard. In one instance, Mr. Ganjifard met with the candidate in person (Anaheim Mayor Curt Pringle), and personally handed him a contribution check. Their reimbursement checks, also prepared by Ms. Highfill, were issued from a bank account held in the name of Respondent Red Roof Inns Southern California. According to Respondent Tognazzini, at the time of the contributions, neither he nor Mr. Ganjifard knew it was illegal for a company to reimburse its employees for their campaign contributions.

Ron Ganjifard also asked Respondent Tognazzini to make contributions to specified local candidates. In October 2002, Respondent Tognazzini and his wife, Patricia Tognazzini, separately made contributions to Santa Ana City Council candidates Alberta Christy, Lisa Bist, and Michael Garcia, in the amount of \$249 each, from their personal bank accounts. Respondent Tognazzini and his wife, however, were not reimbursed for their campaign contributions.

Further, at the direction of Mr. Ganjifard, Respondent Tognazzini made two additional contributions to local candidates directly from business accounts: a \$1,000 contribution to Garden Grove City Council candidate Mark Leyes from a bank account held in the name of Respondent Red Roof Inns Southern California; and a \$1,000 contribution to Anaheim Mayoral candidate Curt Pringle from Tog Enterprises, Inc.

At the time of the contributions, Respondent Tognazzini was not aware, but Mr. Ganjifard was aware, that the City of Santa Ana had campaign contribution limits. In 2002, Santa Ana had an ordinance limiting campaign contributions to \$1,000 per person per election cycle. The ordinance also prohibited the mayor or a member of the city council from voting on an agenda item that would have a material financial effect on a campaign contributor of \$250 or more in a 12-month period preceding the date of the council action, and from soliciting and accepting campaign contributions of \$250 or more from any person for a 3-month period

following a council decision in which the contributor has a financial interest. There is no evidence that Respondent Tognazzini or any of his various business interests had any matters pending in the City of Santa Ana at the time they made the contributions.

The following table sets forth each of the incidents in which an employee and/or his spouse made a contribution to a local candidate or official that was reimbursed by Respondents Tognazzini and Red Roof Inns Southern California, and the count to which each of these incidents corresponds:

Count	Name of Employee Reimbursed by Respondent	Date of Contribution	Amount of Contribution	Candidate Recipient – Elective Office Sought or Held
1	Ron Ganjifard	10/01/2002	\$249	Alberta Christy – Santa Ana City Council
2	Ron Ganjifard	10/01/2002	\$249	Lisa Bist – Santa Ana City Council
3	Ron Ganjifard	10/01/2002	\$249	Michael Garcia – Santa Ana City Council
4	Mercy Ganjifard	10/01/2002	\$249	Alberta Christy – Santa Ana City Council
5	Mercy Ganjifard	10/01/2002	\$249	Lisa Bist – Santa Ana City Council
6	Mercy Ganjifard	10/01/2002	\$249	Michael Garcia – Santa Ana City Council
7	Timothy Connaghan	10/08/2002	\$249	Alberta Christy – Santa Ana City Council
8	Timothy Connaghan	10/08/2002	\$249	Lisa Bist – Santa Ana City Council
9	Robert Fillerup	10/08/2002	\$249	Alberta Christy – Santa Ana City Council
10	Robert Fillerup	10/08/2002	\$249	Lisa Bist – Santa Ana City Council
11	Linda Highfill	10/08/2002	\$249	Alberta Christy – Santa Ana City Council
12	Linda Highfill	10/08/2002	\$249	Lisa Bist – Santa Ana City Council
13	Debra Wadlow	10/09/2002	\$249	Alberta Christy – Santa Ana City Council
14	Debra Wadlow	10/09/2002	\$249	Lisa Bist – Santa Ana City Council
15	Ron Ganjifard	10/21/2002	\$1,000	Curt Pringle – Anaheim Mayor
16	Ron Ganjifard	10/21/2002	\$1,000	Mark Leyes – Garden Grove City Council

17	Robert Fillerup	10/22/2002	\$1,000	Curt Pringle – Anaheim Mayor
18	Ron Ganjifard	12/17/2002	\$249	Jose Solario – Santa Ana City Council
<b>Total</b>			<b>\$6,735</b>	

By making 18 contributions in the name of another person, Respondents Tognazzini and Red Roof Inns Southern California committed 18 violations of section 84301.

### CONCLUSION

This matter consists of 18 counts, which carry a maximum administrative penalty of \$5,000 per violation, for a total of \$90,000.

Making a contribution in another person's name is one of the most serious types of violations of the Act, because it denies the voting of public information about the true source of a candidate's financial support. Respondents committed 18 such violations, by making campaign contributions totaling \$6,735 to candidates and officials in communities where Respondents have business interests. The violations are aggravated by the fact that 15 of the 18 contributions circumvented the local contribution limits in the City of Santa Ana. However, in mitigation, there is no evidence that Respondents had matters pending before the city at that time.

In further mitigation, Respondents cooperated with, and assisted in, the Commission's investigation, by voluntarily providing the pertinent company business and employee records. After being confronted with our preliminary investigation, Respondents admitted to additional violations Commission investigators had not yet discovered. Respondents have not previously been found to have violated the Act. As such, imposition of a penalty in the amount of \$4,000 per violation, which approaches, but does not equal, the maximum penalty, is appropriate for 14 of the 18 violations. A lower penalty, in the amount of \$3,000, is appropriate for the 4 violations voluntarily disclosed.

The facts of this case, including the factors discussed above, justify imposition of the agreed upon penalty of Sixty-Eight Thousand Dollars (\$68,000).